

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 NSA-01 L-03 FRB-03
OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00
COME-00 EB-08 INR-07 LAB-04 OIC-02 SIL-01 STR-04
TRSE-00 CIEP-01 CEA-01 PA-01 PRS-01 OES-06 FEA-01
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FM AMEMBASSY BONN
TO SECSTATE WASHDC 5757
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
USMISSION NATO BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY JIDDA
USMISSION GENEVA
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AMEMBASSY ROME
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AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 03 BONN 03063

E.O. 11652: GDS

TAGS: EAID, ETRD, EFIN, EMIN, EEC, CIEC, UNCTAD
SUBJ: PREPARATIONS FOR UNCTAD COMMON COMMODITY FUND
NEGOTIATIONS AND CIEC MINISTERIAL MEETING

REF: (A) THE HAGUE 738, (B) STATE 34982, (C) EC
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BRUSSELS 1263, (D) BONN 2492, (E) EC BRUSSELS 1373,
(F) EC BRUSSELS 1248

1. SUMMARY AND INTRODUCTION: RECENT CONVERSATIONS WITH
FONOFF AND ECONMIN OFFICIALS RE CIEC PREPARATIONS HAVE
REVEALED CONTINUING PRESSURES FOR MORE GENEROSITY AS
WELL AS CONTINUING OBSTACLES TO PROGRESS. FRG OFFICIALS,

WHILE AWAITING US POLICY DECISIONS, ARE TRYING TO CONCOCT A PACKAGE OF ALTERNATIVES (SEE PARA 4 B BELOW) FOR USE AT LATE STAGES OF MARCH UNCTAD COMMON FUND (CF) NEGOTIATIONS, IN ORDER TO AVOID BAD BLOOD BEFORE MAY CIEC MINISTERIAL. END SUMMARY.

2. PRESSURES FOR FORTHCOMING ATTITUDES IN INDUSTRIAL COUNTRIES:

(A) FOLLOWING LONG HISTORY OF THIRD WORLD CALLS AT UNGA SPECIAL SESSIONS AND OTHER FORA FOR NEW INTERNATIONAL ECONOMIC ORDER, OUR FRG CONTACTS CITE UTOPIAN ATTITUDES OF SCANDINAVIAN AND OTHER "LIKE-MINDED" AID DONOR NATIONS (REF A) AS UNHELPFUL AND THEY WELCOMED US COOLNESS (REF B) TO DUTCH APPROACH.

(B) EC COMMISSIONER CHEYSSON VISITED BONN LAST WEEK AND DESCRIBED HIS PROPOSALS, WHICH ARE GENERALLY ALONG THE LINES OF REF C. HE PUSHES THE ANCIENT FRENCH DREAM OF "ORGANIZATION" OF WORLD COMMODITY MARKETS, WHICH IS BELIEVED BY MOST SERIOUS FRG ECONOMISTS TO BE A "NON-STARTER". CHEYSSON ALSO DREAMS OF A MARSHALL PLAN FOR THE DEVELOPING WORLD INVOLVING MASSIVE TRANSFERS OF RESOURCES. FRG OFFICIALS BELIEVE THAT THIS, TOO, IS UNLIKELY TO BE ACCEPTABLE TO THE TAXPAYERS OF THOSE COUNTRIES WHICH WOULD FOOT THE BILL, I.E., U.S., GERMANY AND JAPAN.

(C) OPEC PACKAGE:
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OUR GERMAN FRIENDS HAVE EMPHASIZED THE IMPORTANCE OF GETTING OPEC PARTICIPATION AT AN EARLY STAGE IN PLANNING. FOR THIS REASON, THEY HAVE ALREADY BEEN CONSULTING SAUDI ARABIA (SEE REF D). FRG OFFICIALS TELL US THAT THE SAUDIS ACCEPT THE POLITICAL NEED FOR RECOGNITION OF THE LEGITIMATE INTERESTS OF THE DEVELOPING COUNTRIES, ESPECIALLY LLDC'S AND MSA'S. THEY WANT TO CONCLUDE CIEC IN MAY.

3. OBSTACLES TO PROGRESS:

(A) DEBT RELIEF:

WHILE FRG FONMIN AND ECONMIN OFFICIALS ARE READY TO BE GENEROUS ON A CASE-BY-CASE BASIS, FINMIN IS YET TO BE HEARD FROM. FURTHERMORE, GERMANS RECOGNIZE THAT US AND FRANCE HAVE CONSTITUTIONAL AND LEGISLATIVE PROBLEMS WITH DEBT RELIEF.

(B) OFFICIAL DEVELOPMENT ASSISTANCE:

WHILE FRG OFFICIALS BELIEVE INCREASES MAY BE
FEASIBLE IN THE DISTANT FUTURE, THERE ARE OBVIOUS
BUDGETARY PROBLEMS WITH TRYING TO INCREASE ODA IN THE
SHORT RUN.

(C) UNCTAD COMMON COMMODITY FUND (CF)

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THE FRG HAS PREPARED AN INTERNAL WORKING PAPER WITH TECHNICAL ARGUMENTS AGAINST MANY DETAILS OF THE UNCTAD SECRETARIAT PROPOSALS. THIS INTERNAL PAPER WILL BE CONFIDENTIAL

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GIVEN TO US IN A FEW DAYS AND WE WILL TRANSLATE IT AND FORWARD IT OR A SUMMARY TO THE DEPARTMENT AS SOON AS POSSIBLE. MEANWHILE, WE HAVE OBTAINED COPIES OF A SERIES OF ARTICLES WRITTEN BY THE SAME GERMAN OFFICIAL AND PUBLISHED IN THE NEUE ZURICHER ZEITUNG; WE ARE TRANSLATING THIS ARTICLE AND WILL FORWARD ANY USEFUL EXCERPTS.

ALL FRG OFFICIALS WE HAVE APPROACHED HAVE MADE IT CLEAR THAT THEY ARE SKEPTICAL ABOUT THE UNCTAD COMMON COMMODITY FUND PROPOSALS AND THAT THEY PREFER THE EXPORT EARNINGS STABILIZATION APPROACH. FRG IS PARTICULARLY WARY OF FINANCING OF "OTHER MEASURES" WITHOUT CLEAR DEFINITIONS OF SUCH "OTHER MEASURES".

(D) EXPANDED STABEX:

FRG ECONMIN OFFICIALS HAVE ALSO DISCUSSED WITH US THE EC COMMISSION IDEAS ON A BROADENING OF STABEX (REF E). THEY ARE ALSO SKEPTICAL OF THIS APPROACH. CONTRARY TO THE EC COMMISSION STAFF, THEY DO NOT BELIEVE IT HAS WORKED VERY WELL, AND THEY POINT OUT THAT UNDER STABEX EXPORTERS OF COMMODITIES LIKE TIMBER CAN SIMPLY HOLD BACK EXPORTS AND COLLECT CASH. THUS, THEY SAY THAT MANIPULATION IS QUITE POSSIBLE AMONG THE COMMODITIES ALREADY IN THE EC STABEX SCHEME, AS WELL AS IN METALS AND OTHER COMMODITIES NOW OUTSIDE OF THE SCHEME.

4. POSSIBLE SOLUTIONS TO THESE DILEMMAS:

(A) TIMING OF PREPARATIONS OF CIEC MINISTERIAL:

A CONSENSUS SEEMS TO BE DEVELOPING ON THE SCHEDULE OF MEETINGS LEADING UP TO THE FINAL CIEC MINISTERIAL IN LATE MAY. AS INDICATED IN REF F, EC HIGH LEVEL GROUP

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ON CIEC WILL MEET FEBRUARY 22; G-8 ON MARCH 2; EC
COUNCIL, MARCH 8; AND EUROPEAN COUNCIL, MARCH 25.
MEANWHILE FROM MARCH 7 TO APRIL 1 UNCTAD COMMODITY FUND
NEGOTIATIONS WILL BE PROCEEDING. SENIOR CIEC OFFICIALS
SHOULD MEET IN MID-APRIL AND ECONOMIC SUMMIT IN EARLY
MAY.
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(B) PACKAGE TO BREAK COMMON FUND DEADLOCK:

FRG OFFICIALS EXPECT THAT THE UNCTAD COMMON FUND
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NEGOTIATIONS WILL BOG DOWN. FRG WORKING-LEVEL OFFICIALS ARE CONSULTING WITH EC COLLEAGUES ABOUT POSSIBILITY OF INTRODUCING A PACKAGE OF PROPOSALS TOWARD THE END OF MARCH IN AN EFFORT TO BREAK THE ANTICIPATED DEADLOCK. THE INTRODUCTION OF THIS PACKAGE WOULD GIVE A SIGNAL TO LDC'S THAT DC'S ARE TRYING TO BE FORTHCOMING. THIS PACKAGE COULD INCLUDE: (1) THE LIMITED CLEARING HOUSE VERSION OF THE COMMON FUND; (2) FURTHER LIBERALIZATION OF EXISTING IMF COMPENSATORY FINANCING FACILITIES; (3) A LIBERALIZATION OF EXISTING IMF BUFFER STOCK FINANCING PROCEDURES; AND (4) A LIBERALIZATION OF EXISTING IBRD BUFFER STOCK FACILITIES. THIS PROPOSED PACKAGE HAS NOT RPT NOT BEEN APPROVED AT FRG POLICY LEVELS.

(C) OPEC PARTICIPATION:

FRG ECONOMICS MINISTER FRIDERICH'S AND EC COMMISSION OFFICIAL CASPARI RECENTLY VISITED RIYADH AND FOUND CONSIDERABLE SYMPATHY FOR FRG APPROACHES DESCRIBED ABOVE, AS WELL AS SKEPTICISM TOWARD UNCTAD SECRETARIAT PROPOSALS. THE SAUDIS AND OTHER OPEC MEMBERS ARE INTERESTED IN A GUARANTEE OF THEIR ASSETS AGAINST INFLATION AND DEVALUATION. ECONMIN OFFICIALS ADMIT THAT THIS OPEC REQUEST POSES VERY SERIOUS PROBLEMS, BUT RECOMMEND THAT G-8 SHOULD AT LEAST HEAR THEM OUT, IN EFFORT TO OBTAIN WHOLEHEARTED OPEC SUPPORT FOR CIEC SOLUTION.
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Message Attributes

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